

“THE AFRICA GROWTH AND OPPORTUNITY ACT--IN CONTEXT”

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CORRESPONDENTS ASSOCIATION

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Ambassador Susan G. Esserman
Deputy U.S. Trade Representative

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I would like to thank the Freedom Forum and the African Correspondents Association for hosting this event as well as Pam Glass for all her efforts in organizing the forum and panel.

As the Clinton Administration draws to a close and we look back on the significant achievements of these past eight years, the priority accorded to our relationship with Africa will stand as an important part of President Clinton's legacy. The President made African economic growth a centerpiece of U.S. policy when, in 1997, he announced the Partnership for Economic Growth and Opportunity in Africa Initiative. That Partnership consists of several elements, including debt relief, renewed attention to the quality and quantity of bilateral aid, tangible support to the efforts to address HIV/AIDS, and expanded bilateral trade. President Clinton's unprecedented two trips to the continent reflect the depth of his commitment. The final and critical piece of the Partnership is reflected in the passage in May of this year of the historic Africa Growth and Opportunity Act (AGOA).

The development of the U.S. Africa Partnership Initiative has gone hand in hand with important changes taking place on the African continent. The new millennium finds Africa beginning to chart a new course for its economic future. In nation after nation across the continent, government officials and the private sector alike are responding to the challenges and

opportunities that globalization offers for the welfare of the region. Today, many African countries recognize the vitally important role that international trade can play in generating economic growth and are taking steps to liberalize their economies.

We are beginning to witness the dividends from this new direction. Many African nations have experienced positive economic growth during the last half of the 1990's even during the tumultuous period of the 1997-1998 international financial crisis. These positive economic trends form the foundation upon which further progress and reform can be grounded for those African nations with the resolve to fully utilize the world economy for the benefit of their citizens.

Working in partnership to increase Africa's participation in the world economy and trade has been at the core of our Partnership Initiative. Underlying this new policy has been a recognition that expanded trade can be a powerful force for expanded growth and development. The linchpin of this U.S. - African Partnership Initiative is America's lasting commitment through AGOA to open immediately our market to an unprecedented degree to African goods.

The Act ushers in a new era of trade relations with Africa. It elevates the importance of our relationship with Africa and establishes the highest level policy dialogue with African nations. Under AGOA, no other region in the world will have better access to the U.S. market than Africa, aside from a handful of countries that have free trade agreements with the U.S. The Act dramatically increases – by nearly two thousand products – the number of African products eligible to enter the U.S. market on a duty free basis. In addition, for the first time ever, certain African apparel products will be accorded duty free treatment, giving African apparel exporters an average 17.5 percent duty advantage over other suppliers to the U.S. market. More broadly, AGOA's duty free benefits give African businesses a competitive advantage over most of the

world's businesses in selling goods to the U.S. market.

As a result, the Act has the potential to increase significantly U.S.-African trade and investment. Exports of agricultural and manufactured goods (including textiles and apparel products) could rise by billions of dollars. And expanded access under AGOA to the world's largest market should result in new jobs, skills enhancement, the introduction of new technologies, and new investment in Africa.

Now that the initial country designations have been made, there are two additional implementation steps that the U.S. Government must complete before the trade benefits of the Act can be realized. The President must designate the additional African products eligible to receive duty-free treatment, a process we expect will be completed very shortly. In addition, in order for countries to be eligible for duty-free treatment for apparel products, we must certify that countries have developed effective visa systems and meet other customs-related requirements. We are actively working with a number of countries on these visa systems and customs requirements.

The Act also recognizes that the potential for expansion of existing businesses and for creation of new businesses is limited without critical infusions of private capital. The best ideas in the world require transaction financing, expertise to understand the structure of emerging new markets and support for domestic infrastructure. The Act's assistance programs (including a \$500 million equity and infrastructure fund) will be implemented through U.S. agencies, such as the Export-Import Bank, the Overseas Private Investment Corporation, and the African Development Foundation.

The Act further recognizes that our trade and investment relationship with the region must be dynamic and evolve over time. The Act directs the President of the United States to

establish, along with other leaders in the region, a United States-Sub Saharan Africa Trade and Economic Cooperation forum for high-level dialogue between the U.S. and countries in the region. High level meetings of the forum are to occur annually, and the first under the Act is to take place sometime early next year. These meetings, along with the work conducted under other bilateral frameworks with the countries of the region, such as the Trade and Investment Framework Agreements negotiated by the Office of the U.S. Trade Representative, will maintain the vitality and momentum of the Act into the future.

AGOA presents an opportunity for Africa, not a guarantee. AGOA cannot succeed without the concerted efforts of African governments and private sectors. Whether these new opportunities afforded by AGOA actually translate into dramatically increased trade and contribute substantially to African growth and development, depends on a number of factors including:

1. Whether the African private sector is poised to take advantage of the Act's benefits.
2. Whether we governments work innovatively with the private sector to expand the benefits of trade more broadly within African economies.
3. Whether African governments take further steps to create an enabling environment for trade and investment, thus encouraging African entrepreneurs as well as foreign companies to invest in Africa rather than in other countries.
4. Adoption of appropriate domestic policies. Open trade policies are not enough. Trade policies can create new opportunities but cannot substitute for proper domestic policies in basic public services, such as education and healthcare. Governments need to promote an effective rule of law through good governance and transparency.

The U.S. market is a complex one, and it will be important, in some cases, for African

businesses to work with U.S. partners who can assist in tailoring products, assessing niche markets, identifying sources of capital, and understanding specific U.S. market requirements.

It also will be critical for African countries to work with their private sectors to ensure that they are aware of the Act's benefits and requirements. Indeed, a number of African governments have been working closely with their private sectors to this end.

The U.S. Government has also been active in spreading the word about the Act's benefits and requirements to African governments and private sectors. We have conducted six regional seminars in Africa (including two in the last 10 days), and have published a detailed written AGOA manual which can serve as a readily available reference tool for African governments and the private sector alike. That manual, as well as extensive other information regarding AGOA implementation, will be available here today, as well as on the USTR website.

Under AGOA, governments have an opportunity to reach out to small and medium sized businesses, microenterprises and women and broaden the circle of those benefitting from trade with the U.S. We will need to be creative in utilizing public-private and community based projects, as well as new information and communication technologies, such as the Internet, to their fullest in expanding the reach of all these parties to the global market place.

Let me focus for a moment on women - as I believe there is real potential for women to benefit from trade through AGOA. I agree very much with the recent observation of IMF Managing Director Horst Kohler that women are a great source of encouragement and hope for Africa's economic development. Women already play a significant role in African economies, although generally they do not share in the benefits of international trade. Women are employed in great numbers in key potential export sectors. For example, seventy percent of Africa's apparel production is made by women. The agricultural sector employs about 80 percent of

Africa's female work force and women occupy 90 percent of Africa's food processing sector.

Trade has the potential to empower women if they are aware of and poised to take advantage of the Act's benefits.

The Act has spurred companies to take a new look at Africa as a location for investment, and in fact, some companies have already made investments in anticipation of the Act's benefits. The extent to which this new investment occurs, however, depends in substantial part on whether a country has created an enabling environment for investment. Countries can foster the desired environment through the adoption of market oriented economic policies and investment, open looking trading policies, sound regulatory policies, and transparent and predictable legal processes and investment in telecommunications and other basic infrastructure. Indeed, the criteria for eligibility of the Act's benefits are designed to promote adoption of these policies in Africa.

Another factor affecting investment with Africa is the extent to which a company sees its investment as creating opportunities throughout the region - in other words, whether a company's investment in an African country represents a base to sell to the broader African market, and potentially, elsewhere.

Thus, integration and reduction of trade barriers between African countries will enhance Africa's ability to attract investment. We applaud SADC, COMESA, and WAEMU's regional trade initiatives. AGOA seeks to promote integration by allowing beneficiary countries to obtain duty-free access for products using inputs from a number of African countries.

Likewise, Africa's success in attracting investment will depend upon expanding its participation in world markets. For this and other reasons, African nations have an important stake in international trade agreements, trade policies at the global level, and further global trade

negotiations in the WTO to reduce trade barriers and create larger markets for their goods.

Active participation in the WTO will enable African countries to manage their interests in a global economy and maximize the benefits of global trade. If the goals of African governments and entrepreneurs for the international marketplace are to be sustained over the long term, Africa must participate actively in the WTO, not shrink from it, in order to shape its destiny.

A few brief examples demonstrate just how intertwined Africa's economic agenda is with the WTO's agenda. The agricultural, information technology and services sectors will play critical roles in Africa's economic revitalization. Each of these areas are or have been the subject of recent major multilateral agreements in the WTO

In agriculture, new negotiations have just been launched which should result in comprehensive reform in trade in agriculture – still one of the most highly protested and subsidized sectors in some major markets. These subsidies not only distort trade (impeding the growth of small farms in Africa) but represent a costly drain on developing country budgets. These pernicious subsidies contribute to overproduction and drive down prices - a concern raised yesterday at the opening conference.

More open markets, proposed by the WTO services negotiations will help African countries acquire the expertise and legal financial transport, information, and understanding that will spur more rapid and stable development. Africa's active participation in the WTO's services agreements on basic telecommunications, financial services and information technology would send a powerful signal to international investors about Africa's resolve to create the enabling environment for investment and trade. Indeed, these are the types of policies that the Africa Act encourages as a means to facilitate greater trade and investment.

And I genuinely believe that we share with Africa an interest in broader negotiations that go beyond the built in agenda of services and agriculture. For example, WTO negotiations to reduce tariff and non tariff barriers on industrial goods would facilitate Africa's desire for new market opportunities. With globalization and the shrinking of borders, all of us increasingly confront common issues and concerns. We seek to address these common concerns as well as issues of particular interest to Africa. We will work in partnership with Africa to launch a new round of trade negotiations and we urge Africa to take an active role in this process.

It is clear that, in some specific areas, African countries require technical assistance, especially to ensure their effective participation in the WTO. The United States is committed to seeing that assistance delivered. We have actively supported the mainstreaming of trade into broader development assistance strategies through the World Bank and are committed to providing effective assistance through the WTO's own programs.

Bilaterally, over the last two years, the United States has committed more than \$600 million on trade related technical assistance and capacity building for developing and transitional economies. In the coming years alone, we will spend roughly \$5 million in Africa on technical assistance on WTO related issues. We have also just announced a direct grant to the WTO to support technical assistance for African countries - including funding for the development of computer based training on WTO agreements.

Regional integration, participation in the WTO, and AGOA are linked and are mutually reinforcing. They are designed to create larger markets for countries' goods and clear and predictable trading rules, promoting commercial stability and ultimately spreading more broadly the benefits of the global economy to our people.

Through AGOA, the priority accorded our partnership with Africa is enshrined and

codified. AGOA reflects bipartisan support of Congress and the hard work of African leaders, industry, the diplomatic corps, and many in the private sector and here in this room.

Looking forward, AGOA represents an unprecedented opportunity to strengthen and diversify the U.S. - Africa trade relationship, promoting growth and development on the continent. U.S. and African Governments, together with their private sectors, must work in the spirit of partnership in which AGOA was conceived to ensure that the promise and benefits of the Act are realized.

Thank you.